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SUBJECT: Proposed Changes in the Organization and Functions of the
Materials Division

I. Problem

A. To discuss the combination of the Petroleum, Electric Power, and Solid Fuels branches of the Materials Division into a single Fuels and Power Branch (M/FP) and the expansion of the research effort on electric power in support of national intelligence estimates on the Soviet atomic energy program.

B. To discuss the transfer to the new Fuels and Power Branch of responsibility for area-wide coordination of the ERA contribution to the NIE on atomic energy in the USSR, for costing the Soviet Atomic Energy Program, and for liaison with and direct economic research support to OSI and JAEIC on atomic energy.

II. Assumptions

None.

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IV. Discussion

A. Justification

1. Petroleum, solid fuels, and electric power are intimately related to one another economically, because they are, within fairly wide limits, substitutes for one another. It is more than ordinarily difficult, therefore, to consider each in isolation. In spite of this, research on fuel and power is now handled in 3 separate branches of D/M. Each branch is exclusively responsible for its assigned commodity and consequently develops its program and research effort within its specified field. There is no formal responsibility for the subject of energy per se and normally only informal coordination among the 3 branches. The separate operation of the 3 branches has to a large extent been a matter of administrative convenience.

25X1 [redacted] it is both possible and desirable to combine the 3 branches into a single unit.

2. This reasoning is reinforced by evidence that Bloc planners, and particularly planners in the USSR, are increasingly looking at energy as a whole. Indeed the multiple problems of fuels and power production and distribution in the Sino-Soviet Bloc require that program planners give attention to energy resources as a whole, rather than to individual sectors in isolation. At least until recently, however, planning was done for each sector more or less in isolation; there is considerable evidence that this is no longer the case.

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It will be possible to shift work around so as to equalize the burden. This will be particularly true after we have had time to train some of the individuals in the new branch as energy specialists rather than specialists in coal, petroleum, or electric power.

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5. The transfer of the Atomic Energy unit from D/I to D/M would appear to be justified on somewhat different grounds. Fundamentally this unit has 2 functions: (a) to cost the Soviet Atomic Energy Program, (b) to coordinate the contributions to the NIE on the Soviet Atomic Energy Program. It has become clear in the case of the latter that most of the contributions come from D/M rather than D/I. Moreover, atomic energy in its non-military applications is a source of energy fundamentally no different from any other source. Since the first of the 2 major functions, the costing of the Soviet Atomic Energy Program, can be performed in D/M as easily as in D/I, a net advantage would accrue to ERA and ORR from transferring the atomic energy unit to that division which is most heavily involved in atomic energy research.

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V Conclusions

A. There are persuasive reasons for conducting research on fuels and power in a single organizational element at branch level, rather than in 3 branches as at present, both because the several sources of fuels and power are close substitutes for one another and because the Soviets are planning and carrying out their economic activities in this field on an over-all rather than individual basis.

B. The bulk of the work done on atomic energy in ERA is in general more closely related to the present mission of D/M than to the present mission of D/I.

VI. Action Recommended

A. That the combination of M/P, M/EP and M/S into a single branch, to be called the Fuels and Power Branch (M/FP), be approved.

B. That the transfer of the atomic energy unit from the Military Economics Branch of D/I to the Fuels and Power Branch of D/M be approved.

C. That the proposed table of organization of the Fuels and Power Branch be approved.

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